



THE CITY OF SAN DIEGO

DATE: July 19, 2010

TO: Honorable Members of the Audit Committee

FROM: Eduardo Luna, City Auditor

SUBJECT: **City Auditor Activity Report – June 2010**

This report provides information on the activities and accomplishments of the Office of the City Auditor for the month of June 2010. It includes the audit reports issued and other accomplishments during this period, the status of current audit projects and activities, and a summary of planned audits that we have not yet started.

Audit Reports and Accomplishments:

- June 10, 2010 – Issued a memo in response to a request from the Audit Committee for the City Auditor to provide a written proposal addressing specific issues regarding the integration of the City Treasurer's Revenue Audit Division into the City Auditor's Office. This memo can be found on our website at: http://www.sandiego.gov/auditor/reports/memo_pdf/100610revenueauditmemo.pdf
- June 14, 2010 – Presented to the Audit Committee the results of our Performance Audit of the Subcontractor Outreach Program (SCOPE). The presentation can be found on our website at: http://www.sandiego.gov/auditor/reports/memo_pdf/scope_pres.pdf
- June 14, 2010 – Presented to the Audit Committee the County of San Diego Grand Jury reports "Ethics in Government-Code of Ethics, Internal Controls, Fraud Hotline" and "San Diego City's Financial Crisis-The Past, Present, and Future." The presentation can be found on our website at: http://www.sandiego.gov/auditor/reports/memo_pdf/grand_jury_reports.pdf

Audit Reports and Accomplishments (Continued):

- June 22, 2010 –Issued our Performance Audit of the Development Services Department’s Collection of Water and Sewer Fees. Based on our review we determined that DSD did not maintain adequate controls to ensure that all water and sewer fees were consistently and appropriately charged and collected. As of June 30, 2009 there was over \$170,000 in uncollected fees. We also found that DSD and Public Utilities do not maintain a Service Level Agreement or Memorandum of Understanding detailing responsibilities and expectations in the assessment, collection, and follow-up of fees. We made seven recommendations for corrective actions. The audit report can be found on our website at:
http://www.sandiego.gov/auditor/reports/audit_pdf/dsd_ios_fee_audit.pdf

New Staff Member

DeAndre McCall, MPA, Principal Auditor

DeAndre joined the City Auditor's Office as a Principal Auditor. DeAndre holds a Master of Public Policy degree from the School of Policy, Planning, and Development at the University of Southern California, and a Bachelor of Arts degree in Sociology and Psychology from the University of Michigan. His experience includes performing research and data analysis as a Research Assistant with the University of Michigan, and consulting on the application of governmental policy, regulations and standards as a Project Coordinator with a non-profit organization.

Current Audits and Activities:

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Close-out Audits	Close-out audits are required by City Charter, Article VII, Section 111 when a City Official leaves office. The primary audit objectives are to verify that there are no outstanding debts owed by the City Official to the City, and to ensure that access to critical information and processes has been revoked. We are currently conducting close-out audits for Nader Tirandazi, former Financial Management Director, and Jim Barrett, former Public Utilities Director. We have used 24 hours on these audits, and 117 hours on three previous close-out audits, for a total of 141 hours used this fiscal year.	July 2010	141	240
Annual Central Stores Inventory Audit FY10	The San Diego Municipal Code Section §22.0501 requires an annual count of inventory in City storerooms and warehouses. The objective of this audit was to confirm the valuation of Central Stores inventory. We have completed audit fieldwork, and report writing is nearly completed.	July 2010	47	45

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Enterprise Resource Planning (ERP) System Implementation Review	The objectives of this audit are: (a) determine if the City's key financial activities were adequately reviewed and documented prior to the new system implementation to ensure key financial processes are properly addressed by the new system (b) determine if the system was adequately tested prior to implementation and (c) review high risk interfaced and impacted systems post SAP go-live. Audit fieldwork is nearly completed, and audit report writing is in progress. One report has already been issued during this audit.	August 2010	2,840	3,207
General Services - Streets Division Roadways Audit (Part I & II)	The objective of this audit is to determine if City streets are being efficiently and effectively maintained by the City. Audit fieldwork is in progress. We issued a report on Part I, and we plan to issue one additional report. Our preliminary testing uncovered risks which required additional audit testing. As a result, this audit will exceed the budgeted hours allocated to this project. Audit report writing is in progress.	Part II August 2010	2,760	1,374

Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
City Treasurer - Delinquent Account Collections Audit	The objective of this audit is to determine if overdue accounts due to the City are being properly noticed, collected, accounted for, and accurately reported in the City's financial statements. We issued a report in December 2009 regarding Development Services' lack of referrals to City Treasurer for collection efforts. Audit fieldwork for a second and final report is nearly complete.	August 2010	712	621
Fire Rescue – Fire Prevention Audit	The objective of this audit is to assess the efficiency and effectiveness of the City's fire prevention program. Audit report writing is in progress.	August 2010	938	920
Risk Management – Public Liability and Loss Recovery Audit	The objective of this audit is to determine if public liability and loss recovery is being properly handled, accounted for and accurately reported. Fieldwork is completed and audit report writing is in progress.	August 2010	1,354	880
Capital Improvement Projects Audit	The objective of this audit is to determine the extent to which the City effectively initiates, prioritizes, and implements CIP projects. Audit fieldwork is in progress.	Part I October 2010	1,372	1,880

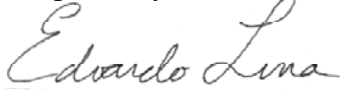
Current Audits and Activities (Continued):

Audit Activity	Status	Target Completion Date	Audit Hours Used	Budgeted Hours
Police Department – Fiscal Services (Animal Services Contract) Audit	The objective of this audit is to review the City’s contract for Animal Services and determine if the service provider is in compliance with the terms of the contract. Audit planning is in progress.	TBD	20	600
Fraud, Waste and Abuse Hotline	We review and administer the City’s Hotline calls that are received. Investigations are performed by the Office of the City Auditor for accusations of material fraud, waste or abuse, and we issue Hotline reports on fraud related allegations that are substantiated. During the month of June, there were 5 new Hotline calls received.	On-going	1,329 (Fiscal Year 2010 Hours)	1,660 (Fiscal Year 2010 Hours)
Follow-up on Audit Report Recommendations	We have created a database to track all of our audit recommendations made since FY08. We provided our database to City Comptroller staff for follow-up. Comptroller staff contacts those responsible for implementing our recommendations and provides status data to the City Auditor on all implemented recommendations. We then verify if recommendations have actually been implemented. We plan to issue our next semi-annual follow-up report in August 2010.	On-going	567	600

Planned FY10 Audits Not Yet Started (as of June 30, 2010):

Planned Audit	Estimated Audit Hours
City Treasurer – Parking Administration Audit	640
City Comptroller / Personnel Department – Payroll Audit	1,280
Risk Management – Workers’ Compensation Audit	1,200

Respectfully Submitted,



Eduardo Luna
City Auditor

cc: Honorable Mayor Jerry Sanders
Honorable City Council Members
Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Mary Lewis, Chief Financial Officer
Ken Whitfield, City Comptroller
Jan Goldsmith, City Attorney
Andrea Tevlin, Independent Budget Analyst